



Using service credit earned outside the Washington State Teachers' Retirement System

If you are a member of the Washington State Teachers' Retirement System (TRS), you have two options that allow you to use service credit earned as a teacher outside TRS:

- Out-of-State Service Credit Program - page 2
- Public Education Experience Program - page 4

You may take advantage of one or both of these programs. For example, if you have seven years of eligible out-of-state service credit, you may use two of the years to qualify for early retirement, and you may purchase the remaining five years to increase your TRS service credit. See example on page 6.

How do I decide which way to use service credit earned outside TRS?

This will depend on your personal situation, and the eligibility rules as described inside this brochure. However, the table below shows some of the key differences between each of the two ways you may use service credit.

Out-of-State Service Credit Program	Public Education Experience Program
Only allows you to qualify for early retirement	Adds to your TRS membership service and allows you to qualify for early retirement
Retirement benefit is based only on your Washington state service credit; the out-of-state service credit is not used in your benefit calculation	Retirement benefit is based on both your Washington state service credit and the service credit you purchase
No payment required	Payment is required
Service credit must be earned in an out-of-state public retirement system that covers teachers	Service credit must be earned as a teacher in a public school in another U.S. state or with the U.S. federal government and covered by a retirement or pension plan
Must be a vested member of TRS	Must be an active member with five years of TRS service credit
No limit to how much out-of-state service credit you may use	You may purchase up to seven years of service credit for this purpose

A complete description of the Out-of-State Service Credit Program begins on page 2.

A complete description of the Public Education Experience Program begins on page 4.



Out-of-State Service Credit Program

If you are a vested member of the Teachers' Retirement System (TRS) Plan 2 you may use service credit earned in an out-of-state public retirement system that covers teachers to qualify for early retirement. Out-of-state service credit may be used to meet the years of service requirement for either of the two early retirement provisions described below. However, if you use out-of-state service credit, it's important to remember that only your Washington state service credit will be used to calculate your retirement benefit, and that your benefit will be reduced for each year of out-of-state service credit used to meet early retirement eligibility.

To qualify for early retirement you must meet one of the two early retirement provisions:

- *Early Retirement* - allows a member who is at least age 55 to retire with at least 20 years of service. The member's benefit is reduced based on each year the member is under age 65. The reduction is based on early retirement factors provided by the Office of the State Actuary (OSA).
- *Alternate Early Retirement* - allows retirement for a member who is at least age 55, with 30 years of service. The benefit is reduced three percent for each year the member is under age 65.

You may use out-of-state service credit to qualify for one of these early retirement provisions.

Is it to my advantage to use out-of-state service credit?

If you have enough Washington state service credit to qualify for retirement, there is no need to use your out-of-state service credit. Only service credit earned in Washington state will be used to calculate your monthly retirement benefit.

If you **do not** have enough Washington state service credit to retire before age 65, you may use your out-of-state service credit to qualify for retirement and begin collecting a benefit. However, if you retire earlier than you could based on your Washington state service alone, your benefit will be reduced. The reduction is based on the difference between the age you retire using the out-of-state service credit and age 65.

If I use my out-of-state service credit, how do the benefit reductions apply under *Early Retirement*?

Under the *Early Retirement* provision, your monthly benefit is reduced based on the number of years between your age at retirement and age 65.

Example: Suppose you are 57 years of age with 17 years of Washington state service credit and a monthly average final compensation (AFC) of \$5,000.

• You have three years of out-of-state service credit that you would like to use to meet the 20-year service requirement under the *Early Retirement* provision. Your benefit would be reduced based on your age (57) and the full retirement age (65). Your early retirement factor would be .43 in this case. See page 3 for a complete listing of early retirement factors.

• Here's how the calculation works (for the example above):

Service credit years x 2% x AFC x
early retirement factor = monthly benefit

$$17 \times 2\% \times \$5,000 \text{ (AFC)}^* \times .43 = \$731$$

Your monthly retirement benefit would be \$731.

Note: Your benefit is calculated using only the 17 years of Washington state service credit.

How do the benefit reductions apply under *Alternate Early Retirement*?

Although the reduction to your benefit is set at three percent per year for each year you are under age 65, a reduction based on early retirement factors (listed in the table at right) is applied to each year of out-of-state service credit that you use to meet the *Alternate Early Retirement* provision.

Example: Suppose you are 57 years of age with 25 years of Washington state service credit and a monthly AFC of \$5,000. You have five years of out-of-state service credit that you would like to use to meet the 30-year service requirement for *Alternate Early Retirement*. In this case, you are eight years under age 65. Your benefit will be reduced based on early retirement factors (see table at right) for each of the five out-of-state service credit years (in this case, the reduction factor for these five years is .61).^{*} Next, the three percent (per year) reduction, as described on page two under the *Alternate Early Retirement* provision, will be applied to the remaining three years that make up the difference between your age (57) and the full retirement age (65).

Here's how the calculation works:

$$25 \text{ (years of service credit)} \times 2\% \times \$5,000 \text{ (AFC)} =$$

$$50\% \times \$5,000 = \$2,500$$

$$\$2,500 \times .61 \text{ (early retirement factor)} = \$1,525$$

$$\$1,525 \times 9\% \text{ (3\% per year} \times 3 \text{ years)} = \$137.25$$

$$\$1,525 - \$137.25 = \$1,387.75$$

Your monthly retirement benefit would be \$1,387.75.

Note: Your benefit is calculated using only the 25 years of Washington state service credit.

^{*} For more information about AFC, early retirement factors and how a retirement benefit is determined, please consult your *TRS Plan 2 Member Handbook*. You may obtain a copy from your employer, or on the DRS Web site at www.drs.wa.gov.

Early Retirement Reduction Factors	
Years to unreduced retirement allowance	Reduction Factor
10	.37
9	.40
8	.43
7	.49
6	.55
5	.61
4	.67
3	.73
2	.82
1	.91

How do I apply to use out-of-state service credit?

If you decide to use out-of-state service credit, contact DRS for a copy of the *Application for Proof of Proof of Out-Of-State Service and/or to Purchase Public Education Experience*. Complete Section One of this application and then send it to the retirement system where you earned the service credit. The retirement system will complete Section Two and return the form to the Department of Retirement Systems (DRS).

Public Education Experience Program

Beginning January 1, 2007, eligible members of Teachers' Retirement System (TRS) Plan 2 will have an opportunity to purchase service credit for public education experience earned as a teacher* outside TRS. The service credit they purchase will be considered membership service and may be used to qualify for retirement or early retirement.

To be eligible for this opportunity, you must:

- Be an active member of TRS Plan 2; and
- Have earned at least five years of TRS service credit.

How much service credit may I purchase?

You may purchase up to seven years of service credit in a single purchase. Multiple purchases are not allowed. For example, if you purchase four years of public education experience in January 2007, you will not be able to purchase additional public education experience service credit again.

What type of public education experience qualifies for service credit purchase?

Qualifying public education experience is that which you have earned as a teacher* in a public school in another U.S. state or with the U.S. federal government. Your former employer must have granted you service credit for performing as a teacher* and provided you with a retirement or pension plan. Also, your former retirement system will be required to verify this information on the service credit purchase application.

How much does it cost to purchase the service credit?

You must pay the actuarial equivalent value of the resulting increase in your future benefit. The actuarial equivalent value is the amount we need today to pay for the increase in your monthly benefit over your lifetime.

We use this service credit purchase cost formula to calculate your cost:

$$\text{Cost} = \text{Annual Average Final Compensation (AFC)} \times \text{Service Credit Being Purchased} \times \text{Factor 1}$$

Annual Average Final Compensation is your highest average earnings over a five year period at the time of purchase.

Service Credit Being Purchased is the amount of service credit you would like to purchase.

Factor 1 is from the Actuarial Factor Table provided by the Office of the State Actuary. The factor is based on the number of months between your age at the date you purchase the service credit and the age at which you would be eligible to retire with an unreduced retirement allowance (URA). See table on page 6.

The example below shows you how the service credit purchase cost formula works.

Ron is an active TRS Plan 2 member who currently has 17 years of service. Ron is 61. His annual AFC is \$50,000. Ron wants to purchase three years of his eligible public education experience service credit to add to his current TRS service credit.

TRS Plan 2 members can get an unreduced retirement allowance (URA) at 65. Since Ron is currently 61, he is eligible for a URA in 48 months. The factor for TRS Plan 2 with a URA of 48 months is 0.2151.

We calculate the cost of Ron's service credit purchase like this:

$$\text{Cost} = \$50,000 \times 3 \text{ years} \times 0.2151 = \$32,265$$

Ron's total cost to purchase three years of service credit is **\$32,265**.

* As defined by your former retirement system.

Do I need to give up my right to a benefit from my previous retirement system for the service credit I purchase in TRS?

No. At the time you purchase service credit in TRS, you only need to prove that:

- You are **not currently** receiving a benefit from your previous system; and that
- You are **not currently** eligible for an unreduced benefit.

Your former retirement system must verify this information on the application.

How do I apply for the service credit purchase?

Contact DRS for a copy of the *Application for Proof of Proof of Out-Of-State Service and/or to Purchase Public Education Experience*. Complete Section One of this application and then send it to the retirement system where you earned the service credit. The retirement system will complete Section Two and return the form to the Department of Retirement Systems (DRS).

Can I retire before I send DRS my payment?

No. We must receive your complete payment before you retire.

Can my employer choose to contribute to the purchase?

Your employer may choose to contribute to the cost of the service credit purchased as part of your payment. Payments sent in by employers must reference your bill number on their check.

Can I purchase this service credit if I am a substitute teacher?

Yes. But only if you are a substitute teacher who is currently reported by your employer as an active substitute and you meet the eligibility requirements.

How is my payment applied to my account?

Your entire payment will be applied to your member account when paid in full.

What happens to my payment if I quit work and withdraw my contributions?

If you are a Plan 2 member, when you separate from employment and request a refund of your contributions, the payment you made to purchase this service credit will be refunded to you.

When do I pay?

You must pay your service credit bill in full within 90 days of the bill due date. You will receive your bill **after** we receive your application.

Can I make installment payments?

You are not allowed to make installment payments.

What type of payments do you accept?

You may make your payment with an eligible rollover, a direct rollover, or a trustee-to-trustee transfer from an eligible retirement plan. You may also make your payment with a personal check, cashier's check or money order. But IRS regulations limit the amount of after-tax dollars, such as those from your personal savings account, you can use for this type of purchase. Please consult a tax advisor for more information.

Example of taking advantage of both programs (see front page).

Suppose you are 60 years of age with 13 years of Washington state service credit and you would like to retire. The earliest you can retire with a reduced benefit is age 55 with 20 years of service credit. You have seven years of service credit earned in another state that you can use to meet the 20-year service requirement for early retirement. You decide to purchase five years under the Public Education Experience Program and use two years to qualify under the Out-of-State Service Credit Program. You must purchase your Public Education Experience Service Credit while you are an active member. Below is an example of the cost to purchase this:

Annual AFC* x Service Credit Being Purchased x Factor 1 (see purchase factors table below) = Cost
\$52,000 x 5 x .2081* = \$54,106

Your total cost to purchase five years of service credit is \$54,106.

Once you have purchased the five years of service credit, it is applied to your total membership service. Now you have 18 years of service credit. If you use your other two years to qualify for early retirement your benefit will be reduced based on your age (60) and the full retirement age (65). In this case an early retirement factor of .61 would be applied. Your benefit will be calculated using only the 18 years of Washington state service credit. Below is an example of how the calculation works:

Service Credit Years x 2% x AFC* x early retirement factor (see table on page 3) = monthly benefit
18 x 2% x \$4,500 x .61* = \$988

Your monthly retirement benefit would be \$988.

Public Education Experience Program Purchase Factors	
Years to unreduced retirement allowance	Factor
0	0.2454
1	0.2374
2	0.2297
3	0.2223
4	0.2151
5	0.2081
6	0.2014
7	0.1949
8	0.1885
9	0.1824
10	0.1765

How do I contact DRS?

If you have questions, or would like more information about using service credit earned as a teacher outside the Washington state retirement system, contact DRS:

Telephone: Toll-free at 1-800-547-6657 in the Olympia area (360) 664-7000

Email: recep@drs.wa.gov

U.S. Mail: Department of Retirement Systems
PO Box 48380
Olympia WA 98504-8380

Web site: www.drs.wa.gov

* For more information about AFC, early retirement factors and how a retirement benefit is determined, please consult your TRS Plan 2 Member Handbook. You may obtain a copy from your employer, or on the DRS Web site at www.drs.wa.gov.